

NOTICE TO GRANTEEES, CONTRACTORS, VENDORS AND OTHER INTERESTED PARTIES REGARDING RECENT DEVELOPMENTS CONCERNING BOND-FUNDED CONTRACTS AND GRANT AGREEMENTS WITH THE CALIFORNIA TAHOE CONSERVANCY

June 10, 2009

The Tahoe Conservancy is now able to process payment for unpaid bills for work performed prior to the December 17, 2008 freeze of general obligation bonds for projects funded under Propositions 12, 40 and 50. We are also allocated funding that will allow a limited restart of existing projects funded under these bond measures.

At this time, the State Treasurer's Office is working to complete the tax certification of Proposition 84 projects. Disbursement of Proposition 84 funds awaits the completion of this process.

More details are provided below.

Proposition 12, 40 and 50 Disbursements Authorized – The State Treasurer's Office completed two bond sales in April, including a sale of \$6.54 billion in general obligation bonds on April 2, 2009, and a sale of \$6.85 billion in "Build America" bonds on April 22, 2009. From these sales, the Conservancy has been allocated \$261,000 in general obligation bonds under Proposition 12, \$8,021,000 in general obligation bonds under Proposition 40, and \$9,470,000 in general obligation bonds under Proposition 50.

The first priority for the use of these funds will be the payment of unpaid bills for pre-freeze work. These are currently estimated at \$9,000 under Proposition 12, \$3,840,000 under Proposition 40, and \$2,844,000 under Proposition 50. We appreciate your patience, and will work to process the payments as soon as possible. Please work with your Conservancy grant or project manager if you have additional pre-freeze billings that have not yet been submitted.

The bond sales also provide cash to allow the limited restart of bond-funded projects. This includes \$252,000 under Proposition 12, \$4,181,000 under Proposition 40, and \$6,626,000 under Proposition 50. These amounts will cover approximately 70% of our estimate of the need over the next 12 months. Because this is less than the full amount of the Conservancy's contracted obligations, not all projects can be restarted, and some project restarts will have funding limitations. Our staff will be working with your staff to work out a scenario that best allocates and utilizes these funds for the most beneficial mix of restarted projects.

Future Proposition 84 Disbursements – The Conservancy is allocated a mix of general obligation bonds (\$682,000) and Build America bonds (\$800,000) under Proposition 84. The Proposition 84 allocations have not yet been released for disbursement (the State Treasurer's Office's certification process is more complicated since this involves the first issuance of Build America bonds, where the Federal Government will reimburse a portion of the State's interest cost on the bonds, and the bonds can only be used for direct capital activities). We are hopeful that authorization to begin disbursement of these funds will be forthcoming soon.

We will continue to provide updates as to any further developments regarding the bond freeze. If there are questions, please contact your Conservancy grant or project manager at (530) 542-5580.